



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 28, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **DEPARTMENT OF MENTAL HEALTH PAYROLL/PERSONNEL  
REVIEW**

In 2007, your Board instructed the Auditor-Controller (A-C) to develop a risk-based plan to audit payroll/personnel operations in all County departments. In accordance with the developed plan, we completed a review of the Department of Mental Health's (DMH or Department) compliance with County payroll and personnel policies and use of the Countywide Timekeeping and Payroll/Personnel System (CWTAPPS). Our review covered areas such as overtime usage, recording time and attendance, industrial accident payments, leave accounting, overpayments, processing employee terminations and data security.

**Summary of Findings**

We noted that DMH generally maintains controls over entering and approving timecards for its employees. However, DMH needs to strengthen its controls over payroll/personnel operations and use of CWTAPPS. The following are examples of areas for improvement:

- DMH should reevaluate its overtime budget and ensure that overtime is properly approved. The Department exceeded its overtime budget by an average of 26% for the last five fiscal years, or an average of \$1.2 million per year. We also reviewed 95 overtime shifts from ten high overtime earners and noted 47 (49%) instances where the Department did not pre-approve non-emergency overtime or did not document when the overtime was approved.

*DMH's attached response indicates that they are auditing programs that rely heavily on overtime and will take appropriate action.*

- DMH needs to develop and implement procedures to review the temporary disability (TD) payment reports and closely monitor Industrial Accident (IA) cases to ensure that employees are paid properly. We reviewed ten IA cases in the post salary continuation period (generally one year following the date of injury) and noted five (50%) employees were overpaid approximately \$36,400. The overpayments occurred because DMH did not immediately notify the Third Party Administrator when the employees returned to work or because the employee received incorrect TD benefits.

*DMH's attached response indicates that they are now reviewing TD payment reports and medical certifications to help ensure accuracy, and that Payroll staff are taking steps to recover overpayments.*

- DMH needs to ensure that employees on extended sick leave are paid accurately. Six (60%) of the ten employees we reviewed were incorrectly paid; including two with multiple errors. Specifically, we noted five instances where employees were potentially overpaid \$5,200 and two employees were underpaid \$1,500 when the employees went from using part-pay sick leave to using full-pay leave or received incorrect part-pay leave hours in CWTAPPS.

*DMH's attached response indicates that they will remind/retrain Payroll staff to more closely monitor leave usage and use correct pay codes. In addition, management will randomly review entries to ensure errors are corrected. Further, where applicable, DMH has begun to recover overpayments, issue monies owed to employees and/or make adjustments to leave balances.*

- DMH needs to ensure employee terminations are processed within A-C deadlines and verify terminations in CWTAPPS. We noted that DMH entered six (60%) of ten terminations we reviewed into CWTAPPS an average of 26 days after the deadlines. We also noted that DMH does not match a list of terminated employees to CWPAY to ensure that these employees are not being paid as required by the County Fiscal Manual.

*DMH's attached response indicates employee resignations will be submitted directly to Human Resources in order to expedite processing. In addition, Human Resources staff have begun matching terminated employees to CWPAY as required.*

- DMH needs to ensure the Payroll staff begin overpayment recovery efforts timely and follow up on all outstanding overpayments. We reviewed eight overpayments and noted seven (88%) instances where Payroll staff did not notify employees of the overpayments until an average of nine months after the

overpayment, or did not begin trying to recover the overpayments for an average of 16 months.

*DMH's attached response indicates that staff will immediately inform employees of overpayments and refer outstanding overpayments to A-C for recovery.*

We also noted that DMH can improve internal controls over IA benefit notification/documentation, bilingual bonuses, payroll distributions, CWTAPPS security, payroll monitoring and overpayment controls.

As indicated, our review disclosed several possible overpayments, underpayments and incorrect leave balances. County policies do not specify when employees are required to repay overpayments because each overpayment is unique. DMH management should research the individual cases in this report and work with the Department of Human Resources, A-C's Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

Although this report is a review of DMH's Payroll/Personnel operations, we recommend that other County departments review the findings in this report and ensure the necessary controls are in place.

Details of these and other findings and recommendations are included in Attachment 1.

### **Review of Report**

We discussed the results of our review with DMH management. The Department's response (Attachment 2) indicates agreement with our findings and recommendations. The response also indicates that DMH management is dedicated to improving their payroll and personnel practices, and describes the actions they have taken or plan to take to address and implement the recommendations in our report.

We thank DMH management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Jim Schneiderman at (213) 253-0101.

WLW:MMO:JLS:MP

### **Attachments**

c: William T Fujioka, Chief Executive Officer  
Marvin J. Southard, D.S.W., Director, Department of Mental Health  
Lisa M. Garrett, Director of Personnel, Department of Human Resources  
Andrea Sheridan Ordin, County Counsel  
Department Heads  
Public Information Office  
Audit Committee

## DEPARTMENT OF MENTAL HEALTH PAYROLL/PERSONNEL REVIEW

### BACKGROUND

The Department of Mental Health (DMH or Department) has approximately 3,700 employees in more than 65 pay locations. Payroll clerks in the Payroll/Personnel Services Section of the Human Resources (HR) Division process employee timecard information and maintain employee leave balances. HR Division Personnel staff process personnel transactions, such as hires/terminations and maintain personnel data, including hire dates, social security numbers and County job history.

### SCOPE

We reviewed the DMH's compliance with County payroll and personnel policies, including compliance with the County Fiscal Manual (CFM). Our review included interviews with staff and tests of overtime, employee time records, Industrial Accident and termination payments, data security and overpayment recovery. Our review did not include detailed testwork on employee bonuses, since the Department of Human Resources (DHR) reported on these areas in 2007. DHR followed-up on their recommendations in 2008 and determined that DMH was compliant.

### COMMENTS AND RECOMMENDATIONS

#### Overtime

##### Overtime Budget

We compared the Department's budget and actual overtime for Fiscal Years (FY) 2004-05 through FY 2008-09 and noted that DMH exceeded its overtime budget by an average of 26% in each of the last five fiscal years, or an average of \$1.2 million per year.

| <u>Fiscal Year</u> |           | <u>Budget</u>     |           | <u>Actual</u>     |           | <u>Over</u>      | <u>% Over</u> |
|--------------------|-----------|-------------------|-----------|-------------------|-----------|------------------|---------------|
| 2008-09            | \$        | 4,896,000         | \$        | 7,039,637         | \$        | 2,143,637        | 44%           |
| 2007-08            | \$        | 4,896,000         | \$        | 6,231,202         | \$        | 1,335,202        | 27%           |
| 2006-07            | \$        | 4,688,000         | \$        | 5,692,109         | \$        | 1,004,109        | 21%           |
| 2005-06            | \$        | 4,688,000         | \$        | 4,802,350         | \$        | 114,350          | 2%            |
| 2004-05            | \$        | 3,532,000         | \$        | 4,736,138         | \$        | 1,204,138        | 34%           |
| <b>Totals:</b>     | <b>\$</b> | <b>22,700,000</b> | <b>\$</b> | <b>28,501,436</b> | <b>\$</b> | <b>5,801,436</b> | <b>26%</b>    |

Management indicated that the overtime in excess of budget is primarily due to ongoing overtime in the Adult Systems of Care and Mental Health Services Act programs. Ongoing overtime in excess of budget indicates a need to reevaluate the Department's annual overtime budget. DMH management should work with the Chief Executive Office (CEO) to reevaluate the Department's annual overtime budget.

**Recommendation**

1. **DMH management work with the CEO to reevaluate the Department's annual overtime budget.**

**Overtime Approvals**

DMH policy requires that all non-emergency overtime be pre-approved. We reviewed 95 total overtime shifts from ten employees and noted 44 (46%) non-emergency overtime slips were approved after the overtime was worked or did not include the approval date. In addition, five (3%) approval slips were missing.

**Recommendation**

2. **DMH management ensure that all non-emergency overtime is pre-approved and appropriately documented.**

**Payroll Exceptions**

Our review disclosed a number of errors, such as incorrect Industrial Accident payments, CWTAPPS input errors and misapplication of payroll rules and regulations. These errors have resulted in possible overpayments, underpayments and incorrect leave balances. Some of the errors may have only been documentation or procedural errors, and not overpayments that would require employees to repay the amounts.

County policies do not specify when employees are required to repay overpayments because each overpayment is unique. DMH management should research the individual cases noted in this report and work with the DHR, Auditor-Controller's (A-C) Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.

**Recommendation**

3. **DMH management research the exceptions identified throughout this report and work with DHR, A-C Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants to correct underpayments and/or adjust employee leave benefit balances.**

**Industrial Accidents**

County employees who are unable to work because of work-related injuries (i.e., Industrial Accidents (IA)) may receive temporary disability (TD) benefits. The benefits are authorized by one of the County's Third Party Administrators (TPA), who sends a Notice of Benefits indicating what TD benefits the employee will receive to the employee

and the department. Payroll uses the Notice of Benefits to enter the benefit information into CWTAPPS to ensure accurate payments to the employee.

### **Salary Continuation**

During the first year after the injury (salary continuation period), employees receive 70% of their regular salary through the County's regular payroll. Employees may use accrued 100% leave time (e.g., sick leave, vacation, etc.) to cover absences while they are waiting for a determination of whether their injury/illness is covered by TD benefits. CWTAPPS automatically restores these leave hours when TD benefits are approved, after Payroll enters an IA leave code into CWTAPPS.

We reviewed ten salary continuation cases and noted that seven (70%) employees received incorrect payments, because Payroll staff did not properly adjust CWTAPPS for TD payments, entered incorrect IA information in CWTAPPS, etc. This resulted in potential overpayments of \$400, underpayments of \$5,500 and misstated leave balances.

To reduce payment errors, DMH management should re-train Payroll staff on entering IA information into CWTAPPS and performing necessary adjustments in CWTAPPS for temporary disability payments.

### **Recommendation**

- 4. DMH management re-train Payroll staff on entering Industrial Accident information into CWTAPPS and performing necessary adjustments in CWTAPPS for temporary disability payments.**

### **Post Salary Continuation Period**

The post salary continuation period (PSCP) generally begins one year after the date of injury. During this period, an employee receives TD benefits from the TPA and can elect to supplement their TD benefits by using earned leave time (e.g., vacation, 50% Part-Pay Sick Leave (PPSL), etc.) to receive up to 100% of their regular pay during the PSCP depending on the type of leave used. Employees generally are not entitled to receive both salary continuation and PSCP benefits.

We reviewed ten PSCP cases and noted that five (50%) employees were overpaid a total of approximately \$36,400, including two employees with multiple errors. Specifically:

- Three employees continued to receive TD payments after they returned to work, resulting in overpayments totaling \$32,600.

- Four employees received incorrect PSCP payments (e.g., receiving more than 50% of regular pay while on 50% PPSL, receiving both salary continuation and PSCP benefits, etc.), resulting in overpayments totaling \$3,800.

In 2004, departments began receiving a daily report of all employees receiving PSCP TD payments from the CEO. However, DMH does not have procedures in place to review this report. Some of the errors in this report might have been avoided or detected if DMH staff had reviewed and compared this report to CWTAPPS.

DMH should ensure that the TPA is notified immediately when employees return to work. In addition, the Department should develop and implement procedures to review the TD payments report, regularly monitor industrial accident cases and follow up with the TPA (as necessary) to resolve any potential concerns/issues.

### **Recommendations**

#### **DMH management:**

5. **Ensure that the Third Party Administrator is notified immediately when employees return to work.**
6. **Develop and implement procedures to ensure that staff review the monthly temporary disability payments report.**
7. **Regularly monitor industrial accident cases and follow up with the Third Party Administrator (as necessary) to resolve any potential concerns/issues.**

### **Post Salary Continuation Period Notification**

Departments are supposed to notify employees that they can use their accumulated benefits to supplement their salary continuation benefits one month before the start of the PSCP. We noted that DMH does not always notify employees that they can use their accumulated leave benefits to supplement their TD benefits during the PSCP.

### **Recommendation**

8. **DMH management ensure staff notify employees that they can use accumulated leave benefits to supplement their TD benefits during the post salary continuation period.**

### **Workers' Compensation Leave Documentation**

County Code allows departments to authorize employees to use Workers' Compensation Leave (WCL) at 100% pay for medical treatment due to an IA. DMH

requires employees to submit an original certification from their health care provider in order to use WCL.

We reviewed five employees who used WCL and noted that DMH did not have medical certifications for 150 (86%) of the 175 WCL hours used by the employees. In addition, we noted that the Department could not provide IA documentation, such as Notices of Benefits in 16 (80%) of the 20 cases we reviewed. To improve IA monitoring and controls, DMH should ensure that the Leave Management Unit receives and maintains certifications from the employees' health care providers when using WCL time. The Department should also maintain all documents related to employees' IA cases.

### **Recommendations**

#### **DMH management:**

- 9. Ensure that the Leave Management Unit receives and maintains certifications from the employees' health care providers in the Workers' Compensation File when employees use Workers' Compensation Leave time.**
- 10. Ensure that staff maintain all documents related to industrial accident cases.**

### **Leave Accounting**

#### **Long-term Leave**

Employees who have accumulated sick leave and are out sick can use full-pay or part-pay sick leave for their absence. However, employees cannot use part-pay sick leave until they have used all of their full-pay sick leave available at the time of the injury or illness. Once an employee begins using part-pay sick leave, County Code Section 6.20.050 prohibits the employee from using any type of full-pay leave (e.g. vacation, full-pay sick leave, etc.) they may have earned while on leave, unless specifically authorized by the department head. Employees also do not accrue holiday time while on part-pay sick leave.

We reviewed CWTAPPS data for ten employees on extended sick leave and noted six (60%) employees were incorrectly paid, including two with multiple errors. Specifically:

- Four employees went from using part-pay sick leave to using full-pay sick leave or other full-pay leave without department head approval. This resulted in potential overpayments, totaling approximately \$1,940.
- Two employees' part-pay sick leave hours were coded incorrectly in CWTAPPS, resulting in potential overpayments totaling approximately \$2,930, underpayments, totaling approximately \$1,520 and incorrect sick leave balances.

- Three employees received full-pay on holidays and/or regular days off, resulting in overpayments totaling approximately \$330 and incorrect benefit balances.

**Recommendations****DMH management:**

- 11. Obtain Department Head approval before employees use full-pay leave when employees are on part-pay status.**
- 12. Train Payroll staff on the rules for coding part-pay sick leave and monitor to ensure correct leave codes are used.**

**Bilingual Bonus Suspension**

DHR Interpretive Manual Chapter 5, Section 4 (G) states that employees who are absent for more than 60 consecutive calendar days should not receive a bilingual bonus. During our leave accounting and industrial accident testwork, we noted five employees continued to receive their bilingual bonus even though they were absent for more than 60 consecutive days. This resulted in overpayments totaling approximately \$2,000. DMH management should ensure bilingual bonuses are suspended when employees are absent for more than 60 consecutive calendar days.

**Recommendation**

- 13. DMH management ensure that bilingual bonuses are suspended when employees are absent for more than 60 consecutive calendar days.**

**Terminations**

When an employee terminates County employment, departmental units (i.e., Adult Services Center, Specialized Foster Care, etc.) notify the HR Division and Personnel staff enter the required information into CWTAPPS. With certain exceptions (e.g., Megaflex elective leave, etc.), CWTAPPS calculates the terminated employee's final paycheck. It is important that departments enter terminations into CWTAPPS by the A-C deadlines. Terminations entered after the deadline will be processed manually and may result in delays and/or incorrect payments.

**Timeliness of Terminations**

Six (60%) of the ten terminations we tested were not processed within the A-C's deadline. These terminations were entered into CWTAPPS an average of 26 days late, primarily because Departmental unit delayed notifying the HR Division Personnel Section, resulting in one overpayment of \$2,800.

**Recommendations**

14. DMH management ensure that departmental units immediately notify the Human Resources Division Personnel Section once employees are terminated.
15. DMH Personnel Section management monitor to ensure terminations are processed timely.

**Verification of Terminations on CWTAPPS**

CFM Section 3.1.8 requires personnel management (or someone independent of entering job, timecard and/or termination transactions on CWTAPPS) to keep a list of terminated employees and trace terminated employee' names to the CWPAY Payroll Sequence Register for at least three consecutive months to ensure that terminated employees are not being paid. DMH does not perform this function.

**Recommendation**

16. DMH management ensure Personnel management (or someone independent of entering job, timecard and/or termination transactions on CWTAPPS) keeps a list of terminated employees, and traces their names to the Payroll Sequence Register for at least three months after the employees terminate.

**Time and Attendance****Payroll Distribution**

CFM Section 3.1.12 requires departments to assign someone who does not work in the payroll and personnel areas to investigate unclaimed warrants and direct deposit notices. In addition, the CFM requires departments to conduct payoffs at least once every 12 months to ensure that all employees receiving warrants or notices of direct deposit are bona fide.

We noted the following:

- Someone independent of Payroll/Personnel does not investigate unclaimed warrants/notices of direct deposit. Payroll staff conduct the investigations. Staff with payroll responsibilities should never be directly involved in investigating unclaimed warrants/notices of direct deposit.
- The Department does not annually conduct payoffs.

**Recommendations****DMH management:**

- 17. Ensure unclaimed warrants and notices of direct deposit are returned and investigated by someone independent of payroll/personnel.**
- 18. Ensure that payoffs are conducted at all pay locations at least annually.**

**CWTAPPS Security****CWTAPPS Profiles**

Profiles determine which CWTAPPS screens a user can access and the specific actions (e.g., inquire, add, update, delete, etc.) they can process. CFM Section 3.1.5 requires departments to restrict profiles to the scope of the employee's job.

We identified 17 DMH employees with CWTAPPS profiles intended for high-level supervisors/managers and noted that four (24%) Human Resources Division staff can make changes to all personnel information even though their job responsibilities only require limited access. In addition, we noted three CWTAPPS users who either have never logged onto the system or have not accessed CWTAPPS in over 90 days.

**Recommendation**

- 19. DMH management periodically review employees' CWTAPPS access, restrict access based on the employee job duties, and remove employees who no longer require access.**

**Processing Centers**

CFM Section 3.1.5 states that CWTAPPS processing centers should be used so that Payroll and Personnel staff do not have access to their own payroll/personnel information. DMH groups employees into CWTAPPS processing centers. However, we noted ten (36%) of 28 CWTAPPS users can change their own payroll/personnel information.

**Recommendation**

- 20. DMH management use additional processing centers so that staff do not have access to their own payroll/personnel information on CWTAPPS.**

**Record Security**

CFM Sections 3.1.3 and 3.1.10 require departments to have adequate security over payroll records, restrict access to authorized personnel, and maintain payroll records separately from personnel records. We noted DMH does not have adequate security over their payroll records. Specifically, we noted that three Human Resources Division employees have access to the payroll records storage room, even though their job responsibilities do not require this access. In addition, these employees have access to their own files.

**Recommendation**

- 21. DMH management restrict access to payroll files to appropriate staff and ensure employees do not have access to their own files.**

**Security Policy**

CFM Section 8.6.3 requires all employees with access to County computer data sign an acknowledgement that they have read and understand the Department's security policy. DMH did not have signed acknowledgements for four (40%) of 10 employees reviewed.

**Recommendation**

- 22. DMH management ensure that all employees with access to County computer data sign the security policy.**

**Payroll Monitoring****CWTAPPS Reports**

CWTAPPS automatically generates reports to assist managers in monitoring payroll/personnel operations. CFM Section 3.1.0 requires Payroll staff to investigate exceptions on the following eight reports and immediately process any necessary adjustments.

- Time Card Error Report
- Leave Benefit Negative Balance Report
- Time Card Leave Defaulting Report
- Leave Final Pay Exception Report
- Overtime Activity Report
- Change in Overtime History Exception Report
- Excessive Comp Earned/Regular Hours Exception Report
- Premium Overtime Transaction Exception Report

Payroll staff should annotate the reports to document the disposition of each entry and sign and date the report. The Payroll Supervisor should also review the reports each

pay period to ensure that adjustments are made promptly and correctly. The Supervisor should also sign and date the reports.

We noted that DMH Payroll does not always review CWTAPPS exception reports to identify transactions requiring investigation/corrective action and do not adequately document the review.

### **Recommendation**

- 23. DMH management review the CWTAPPS reports to ensure the Payroll Supervisor and staff review the reports as required in the County Fiscal Manual.**

### **Overpayment Recovery**

CFM Section 3.3.0 requires departments to notify employees in writing of overpayments, and initiate collection efforts immediately after the overpayments occur. If the employee is still in service (or on an extended leave without pay), overpayments are recovered automatically as a deduction from subsequent salary payments. If the employee has left County service and will not receive any more salary payments, departments must use all reasonable collection efforts to recover overpayments manually. After these collection efforts are exhausted, the accounts are ultimately referred to the Treasurer and Tax Collector for final collection.

### **Overpayment Controls**

A DMH Payroll Supervisor is responsible for investigating the causes of each identified overpayment. For the 12-month period they reviewed, DMH Payroll and Personnel management/staff identified 43 overpayments, totaling \$252,000. However, the Payroll Supervisor does not regularly review and communicate the general causes of employee overpayments (e.g., miscalculated leave benefits, payroll data entry errors, etc.) to Payroll and Personnel staff to minimize future occurrences and overpayments.

### **Recommendation**

- 24. DMH Payroll management regularly review and communicate the general causes of overpayments to Payroll and Personnel staff.**

### **Overpayment Recovery Timeliness**

We reviewed eight overpayments identified by the Department, totaling \$116,500 and noted:

- Three (38%) instances, totaling \$16,800, where Payroll did not notify the employees of the overpayments or make any recovery efforts. On average, these overpayments had been outstanding for over 16 months.

- Four (50%) instances, totaling \$91,800, where Payroll did not send the overpayment letter until an average of nine months after the overpayment occurred.

We noted that the Department does not follow up and/or collect overpayments to out-of-service employees. While DMH began recovering three of the overpayments we reviewed through payroll deductions, the five overpayments to out-of-service employees, totaling \$45,500, remain uncollected. To ensure that overpayments are collected timely, DMH should ensure the Payroll staff notify employees of overpayments timely and develop and implement written procedures for initiating, collecting and following up on payroll overpayments to out-of-service employees.

**Recommendations****DMH management:**

- 25. Ensure the Payroll staff timely notify employees of overpayments.**
- 26. Develop and implement written procedures for initiating, collecting and following up on payroll overpayments to out-of-service employees.**

**COUNTY OF LOS ANGELES**

MARVIN J. SOUTHARD, D.S.W.  
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ROBIN KAY, Ph.D.  
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**DEPARTMENT OF MENTAL HEALTH**

550 SOUTH VERMONT AVENUE, LOS ANGELES, CALIFORNIA 90020

Reply To: (213) 738-4601  
Fax: (213) 386-1297

May 14, 2010

TO: Wendy L. Watanabe  
Auditor-Controller

FROM: Marvin J. Southard, D.S.W.  
Director of Mental Health

A handwritten signature in blue ink, appearing to be "MJS", is written over the "FROM" line.

SUBJECT: **DEPARTMENT OF MENTAL HEALTH - RESPONSE TO PAYROLL AND PERSONNEL REVIEW**

Accompanying this memo is the Department of Mental Health's response to the recommendations contained in your office's review of the Department's Payroll and Personnel Operations Report. We concur with the recommendations made in the report and have either implemented or initiated the implementation of the recommendations.

We appreciate the opportunity to include our response with your report and the constructive spirit in which the recommendations were offered.

Should you have any questions regarding this audit, please call me, or your staff may contact Susan Moser, Departmental Human Resources Manager III, at (213) 738-4651.

MJS:RK:MM:SM:nc

Attachment

c: Robin Kay, Ph.D., Chief Deputy Director  
Margo Morales, Administrative Deputy

*"To Enrich Lives Through Effective And Caring Service"*

AUDITOR-CONTROLLER'S PAYROLL AND PERSONNEL REVIEW OF THE  
DEPARTMENT OF MENTAL HEALTH

RECOMMENDATIONS AND DMH RESPONSES

OVERTIME

**RECOMMENDATION 1:**

DMH management work with the CEO to reevaluate the Department's annual overtime budget.

**DMH Response to Recommendation 1: Agree**

DMH is conducting management audits of programs with high reliance on overtime and will take appropriate action accordingly.

**RECOMMENDATION 2:**

DMH management ensure that all non-emergency overtime is pre-approved and appropriately documented.

**DMH Response to Recommendation 2: Agree**

In addition to conducting management audits, we have instructed managers about the requirement to pre-approve overtime.

PAYROLL EXCEPTIONS

**RECOMMENDATION 3:**

DMH management research the exceptions identified throughout this report and work with DHR, A-C's Countywide Payroll Division and County Counsel to recover overpayments, issue supplemental warrants and correct underpayment and/or adjust employee leave benefit balances.

**DMH Response to Recommendation 3: Agree**

The Payroll Unit is more closely monitoring exception reports, entries into CWTAPPS, and reviewing terminations to ensure correct pay. Where applicable, the Payroll Unit has begun to recover overpayments, issue monies owed to the employees, and/or make adjustments to leave balances.

## INDUSTRIAL ACCIDENTS

### **RECOMMENDATION 4:**

DMH management to retrain Payroll staff on entering industrial accident information into CWTAPPS and performing necessary adjustments in CWTAPPS for temporary disability payments.

#### **DMH Response to Recommendation 4: Agree**

Payroll staff has been retrained in the area of entering Industrial Accidents into CWTAPPS and the County policy pertaining to Industrial Accidents. Moreover, they have been informed to carefully review benefit notices from the Third Party Administrator (TPA) to ensure that they are properly entering the correct period of compensation, in accordance with the provisions of the County code and workers' compensation regulations. Leave Management staff will also review dates of compensation and check against medical certifications and CWTAPPS to ensure correct dates are compensated by the TPA, prior to sending the benefit notice to Payroll.

### **RECOMMENDATION 5:**

Ensure that the TPA is immediately notified when employees return to work.

#### **DMH Response to Recommendation 5: Agree**

DMH staff already informs the TPA when an employee returns from leave. However, Leave Management staff will more closely review medical certifications to ensure that the TPA is aware of employees who have returned from leave to ensure that benefits are not picked up beyond the period of absence. Leave Management staff will continue to review CWTAPPS to ensure periods of compensation match periods of absence.

### **RECOMMENDATION 6:**

Develop and implement procedures to ensure that staff review the monthly temporary disability payments report.

#### **DMH Response to Recommendation 6: Agree**

In the past, DMH was not receiving this report. Now that we have this report, Payroll staff review the report and communicate with Leave Management staff to inform them of co-occurring sick use to prevent overpayments. Where there is an overpayment, Payroll staff is notifying the employee to address recovery and/or redirecting Temporary Disability (TD) payments to the department.

#### **RECOMMENDATION 7:**

Regularly monitor industrial accidents cases and follow up with the TPA (as necessary) to resolve any potential concerns/issues.

#### **DMH Response to Recommendation 7: Agree**

The Leave Management and Payroll Units will work together to ensure that concerns are addressed as appropriate and inform the TPA accordingly.

#### **RECOMMENDATION 8:**

DMH management ensures that staff notifies employee that they can use accumulated leave benefits to supplement their TD benefits during the post salary continuation period.

#### **DMH Response to Recommendation 8: Agree**

This practice has been implemented. Leave Management staff will more closely monitor to ensure that employees are notified prior to the end of their salary continuation period that they may use time to supplement TD payments, if they meet the criteria and are eligible. Leave Management staff will notate the file when the employee is not eligible.

#### **RECOMMENDATION 9:**

DMH management:

Ensures that the Leave Management Unit receives and maintains certifications from the employees' health care providers in the workers' compensation file when employees use Workers' Compensation Leave time.

#### **DMH Response to Recommendation 9: Agree**

The Leave Management Unit will more closely monitor to ensure that medical certifications for employees are maintained in workers' compensation file prior to approving Injury Follow Up time.

#### **RECOMMENDATION 10:**

DMH management:

Ensure that staff maintains all documentation related to industrial accident cases.

**DMH Response to Recommendation 10: Agree**

DMH will more closely monitor to ensure that documentation is maintained in the appropriate file.

**LEAVE ACCOUNTING**

**RECOMMENDATION 11:**

Obtain Department Head approval before employees use full-pay leave when employees are on part-pay status.

**DMH Response to Recommendation 11: Agree**

Payroll staff will more closely monitor leave usage to ensure that staff do not alternate between leaves with different pay types that are not permissible without Department Head approval.

**RECOMMENDATION 12:**

Train Payroll staff on the rules of coding part-pay sick leave and monitor to ensure correct leave codes are used.

**DMH Response to Recommendation 12: Agree**

DMH Payroll staff is using the correct codes as defined by CWTAPPS instructions for entering variances. However, accidental entries of the wrong code occasionally happen. Management will periodically and randomly review entries prior to deadline to ensure that errors are corrected prior to deadline. DMH Payroll staff will also be reminded and/or retrained to ensure they are using the correct pay codes.

**RECOMMENDATION 13:**

DMH management ensure that bilingual bonuses are suspended when an employee is absent for more than 60 consecutive calendar days.

**DMH Response to Recommendation 13: Agree**

A Bonus Coordinator has been assigned to monitor employees on leave to cross reference with bonus reports and instruct the Processing staff to stop the bonus as indicated.

## TERMINATIONS

### RECOMMENDATION 14:

DMH management ensure that units immediately notify the Human Resources Division Personnel Section once employees are terminated.

#### DMH Response to Recommendation 14: Agree

Oftentimes, the Human Resources Bureau is not timely notified that an employee has terminated employment by management. We are revising our DMH termination procedures so that in the future, all employees will be instructed to submit resignations directly to human resources rather than management.

### RECOMMENDATION 15:

DMH Personnel Section management monitor to ensure terminations are processed timely.

#### DMH Response to Recommendation 15: Agree

Human Resources now conducts random checks to ensure that staff timely enter terminations and will continue to address late notices with program area managers.

### RECOMMENDATION 16:

DMH management ensure Personnel management (or someone independent of entering job, timecards and/or termination transactions or CWTAPPS) maintains a list of terminated employees and traces their names to the Payroll Sequence Register for at least three months after the employees terminate.

#### DMH Response to Recommendation 16: Agree

This practice has already been implemented by Human Resources staff.

## TIME AND ATTENDANCE

### RECOMMENDATION 17:

DMH management:

Ensure unclaimed warrants and notices of direct deposit are returned and investigated by someone independent of payroll/personnel.

**DMH Response to Recommendation 17: Agree**

DMH has already implemented this practice by having outlying paycheck distributors investigate returned warrants and where applicable forwarding them to DMH Audit Unit for follow-up.

**RECOMMENDATION 18:**

DMH management:

Ensure that payoffs are conducted at all pay locations at least annually.

**DMH Response to Recommendation 18: Agree**

DMH has already implemented the provisions of the Payroll Distribution Payoff.

**CWTAPPS SECURITY**

**RECOMMENDATION 19:**

DMH management periodically review employees' CWTAPPS access, restrict access based on the employee job duties, and remove employees who no longer require access.

**DMH Response to Recommendation 19: Agree**

Human Resources has now implemented a review of CWTAPPS access to determine if the level and access is appropriate on a quarterly basis. Where applicable, changes are made.

**RECOMMENDATION 20:**

DMH management use additional processing centers so that staff do not have access to their own payroll/personnel information on CWTAPPS.

**DMH Response to Recommendation 20: Agree**

DMH submitted requested adjustments of processing centers for Human Resources staff.

**RECOMMENDATION 21:**

DMH management restrict access to payroll files to appropriate staff and ensure employees do not have access to their own files.

#### **DMH Response to Recommendation 21: Agree**

Due to space constraints, DMH is unable to move staff out of areas designated for particular units. Payroll files for Payroll employees have been moved to a secure space not accessible by Payroll employees.

#### **SECURITY POLICY**

#### **RECOMMENDATION 22:**

DMH management ensure that all employees with access to County computer data sign the security policy.

#### **DMH Response to Recommendation 22: Agree**

DMH Human Resources now more closely monitors to ensure that each new incoming employee signs the Security and Confidentiality Agreement form. Additionally, employees sign these forms annually when their performance evaluation is complete. These forms are maintained along with the performance evaluations in the Official Personnel folder. Human Resources staff will more closely monitor to ensure that these documents are contained in the Personnel folder.

#### **PAYROLL MONITORING**

#### **RECOMMENDATION 23:**

DMH management review the CWTAPPS reports to ensure that Payroll supervisor and staff review the reports as required in the County Fiscal Manual.

#### **DMH Response to Recommendation 23: Agree**

DMH Payroll staff were instructed to review and initial reports to confirm that they have in fact been reviewed. Payroll supervisors will ensure that areas requiring investigation are annotated.

#### **OVERPAYMENT CONTROLS**

#### **RECOMMENDATION 24:**

DMH Payroll management regularly review and communicate the general causes of the overpayment to Payroll and Personnel staff.

**DMH Response to Recommendation 24: Agree**

DMH payroll is setting up a central spread sheet in payroll for all payroll employees to complete for each overpayment, stating the reason for the overpayment. The Payroll and Processing managers will meet on a quarterly basis to review the spread sheet for identification of systemic errors.

**RECOMMENDATION 25:**

DMH management:

Ensure the Payroll staff timely notify employees of overpayments.

**DMH Response to Recommendation 25: Agree**

DMH Payroll staff will immediately inform employees of overpayments and refer outstanding overpayments to Auditor-Controller for recovery.

**RECOMMENDATION 26:**

DMH management:

Develop and implement written procedures for initiating, collecting and following up on payroll overpayments to out-of-service employees.

**DMH Response to Recommendation 26: Agree**

Upon issuance of an overpayment letter to an out-of-service employee, Payroll staff has been giving employees a deadline to provide payment. If no response is received by the deadline, DMH staff then refers the overpayment letter to Auditor-Controller with a cover letter detailing the attempts to recover the overpayment. DMH staff then emails/faxes and sends a hard copy via county mail to the Auditor to ensure receipt of the overpayment letter and the referral of the overpayment to a collection agency. This procedure will be put in writing as a reference for payroll employees.